Interview With:
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MIS Quarterly: We're interested in the managerial rather than the technological problems of providing management information. This can include, but isn't necessarily restricted to, data processing or information services.

MR. SPENCER: To what degree have you found that the people you interview like to display their "War Room" or their CRT tubes?

MIS Quarterly: Some do.

MR. SPENCER: I remember one particular bank in which the CEO spent many millions of dollars to be able to pipe in to the computer system and get out certain kinds of information. Not one piece of it was of any real value except for a casual inquiry about some irrelevant part of the organization.

MIS Quarterly: We have found that, too. We've also found some CEO's who acknowledge that they probably have a large computer department someplace, but really don't know too much about what it does and could care less. Then we have found some executives who have the War Rooms, Chart Rooms, and all the elaborate equipement. We also have found many

in between. The degree of involvement appears to be a question of the style of the CEO or the chief operating officer.

MR. SPENCER: I think it's very easy to get fascinated with technology and then forget what the purpose of it is.

MIS Quarterly: Our members include some of the most sophisticated people in the profession who are concerned with information. Some are concerned with computers. What we're attempting to do in these interviews is to convince as many people as possible that information is what's important to the people who run companies, not data processing.

MR. SPENCER: I had a call about a year ago from a writer for **Business Week.** This person wrote an article about six months ago on Gould's big "War Room." The reporter kept on asking me what the mini-computer was going to do to management information. I kept on telling her, "Nothing." I suggested that it won't do anything because all it does is enhance the speed by which transactions are converted into data. The data then are available to create information. The reporter kept looking for a big "War Room."

MIS Quarterly: Let's change directions now. What do you believe that top executives, in general, expect from their information function? How do you see the type or quality of information provided top management evolving over the next few years?

MR. SPENCER: I think there is a general recognizance among those who run businesses that they cannot manage unless they know what the business is; that is, what the business is doing, and in what direction it is going as indicated through an information system. To illustrate the point, let me use an example that gets down to the ridiculous. A very good restaurant is managed by one person. That person knows quality, costs, the service characteristics of that business, and he knows whether he makes or loses money, if not every week, at least every month. So this is the quality of business. If you don't know the components of your business irrespective of how it's put together, you're not able to run your business.

The degree to which CEO's have that information in a meaningful way about their businesses, influences their ability to do a better job. I think it is a matter of discerning those things that are pertinent to that business, and these vary dramatically from business to business. These include: where money is made or lost, identifying the directions in which the business is going, identifying pieces of businesses that should be chopped off, locating the parts of businesses to which to dedicate corporate resources — both money and people, and setting the future direction of the company.

MIS Quarterly: In regard to what you had said before, since most top executive information is not likely to be produced by computers, would you describe your principal current sources for useful information?

MR. SPENCER: I think we ought to differentiate right here. Computers do not create management information. They are much like a meat grinder which slices things up and turns them out in different lengths, sizes, and weights. The degree to which it is used is only a phenomenon of doing things as efficiently and as economically as possible. The information needed is fundamentally the same as that used by the restaurant owner. What are the fundamentals of the business, what do these cost, what can these be sold for, and what is the process that makes it on the bottom line?

MIS Quarterly: Who do you consider to be your chief information officer or source?

MR. SPENCER: We have an area which amasses data from the various reporting groups, is responsible for understanding the use of this data, and consolidates it into a report which is used for management purposes by the various parts of our organization.

MIS Quarterly: Since the information services area impacts upon and is impacted by all parts of a company, are they represented in the planning process from the beginning or are they the recipients of the end product?

MR. SPENCER: They are involved very much from day one because we can't get the kind of information needed for planning without

knowing the things we are looking for. Everybody in their business has a checklist of things that we use in running our businesses. There is considerable variety among the groups as to the kinds of things each must focus upon. There is a great disparity in the real nature of some of our businesses, but this is wired in from budget time and from long-range planning time.

MIS Quarterly: I am curious about the extent to which the banking industry uses information services or information functions to do planning for the future — strategic planning.

MR. SPENCER: How can we know which direction we are going unless we know the profit and loss and the efficiency characteristics of what we are now doing? How do we know when, how, and why to take a particular direction? We go on doing the same old things, and whatever happens through corporate accounting, we show a bottom line at the end of the year. Some years it is up and some years it is down to a degree that we cannot detect. How, without planning, do we know what we are doing?

MIS Quarterly: What criteria or methods do you employ in evaluating the performance of the information services lead executive? What do you measure?

MR. SPENCER: We are basically a provider of financial services in our business. These break down into several macro groups, the principal of which is the interest differential business. So we need to know: (1) what we are paying for our raw material; (2) what we're getting for it; (3) the time frames and the gaps, if any, between what we're paying for the raw material and our selling price on the other end; and (4) the costs of delivering that service. The same thing is true in those financially-related services such as corporate stock transfer, dividend reinvestment, the consolidation of accounts, and account reconciliation. We need to know these fundamentals in each of our businesses to be able to understand what the potential market is, to understand how we are going about servicing them, and the results when we get through with the operation.

MIS Quarterly: But when you consent to evaluate the effectiveness or lack of effectiveness of whoever heads up your information services function, how do you measure that?

MR. SPENCER: I evaluate this person to the degree I have questions about our business that I feel are pertinent to its operation and the ability of this person to respond in a reasonable period of time.

MIS Quarterly: So we're talking about customer satisfaction with you as the principal customer?

MR. SPENCER: Yes.

MIS Quarterly: Do you have a relatively good understanding of the incremental benefits that your organization has from the fact that you may have superior information?

MR. SPENCER: No, I just know that we can't run our business unless we have a good information system.

MIS Quarterly: Do you see this is more applicable in the banking industry than it is in other industries?

MR. SPENCER: I think it is quite different.

MIS Quarterly: If you were looking for an information services executive, what kind of person would you look for?

MR. SPENCER: There is a very definitive talent needed in this area and surprisingly enough it's quite rare. It's the ability to meaningfully understand and translate transactions into a final condensed report that is meaningful to a manager. This is to a large degree a personal ability. I see this kind of ability around the bank to a very high degree. We can find the most gifted lending officer in the business who can work out the terms and conditions of a loan, who is resourceful, who can price, and who can think of new answers on how to make a deal fly. Yet if we ask this person to put together a meaningful description and give a report in terms of the total operation, and the individual is absolutely hopeless.

MIS Quarterly: So the job of your MIS executive is that of a translator?

MR. SPENCER: Identifier and translator.

MIS Quarterly: How do you set priorities within the bank for the allocation of the resources of the information function? How do you decide how much to spend?

MR. SPENCER: I haven't the slightest idea.

MIS Quarterly: Does anybody?

MR. SPENCER: I don't know. We look at the businesses. This is what we try to do. What are the fundamental operating characteristics of each business? For example, consider two businesses in the bank, each headed by an Executive Vice President. One is called the World Corporation Group; this deals with less than 500 customers who are located all over the world. We have another business that is called the Consumer Services Group; it is located primarily in New York City, but scattered around the United States and across many other countries. The difference in the information requirements and the kinds of systems used and the information that comes out of these systems couldn't be more different between the two businesses. They have one common characteristic and that is that both lend money and hopefully get it back. The process, the information needs, and the areas that are important are however, quite different.

MIS Quarterly: What happens when the head of your information function submits a budget? Who decides what the priorities should be for the expenditures within that function?

MR. SPENCER: We try to prioritize the expenditures to get the information we think we need. I'm not so sure the cost of our MIS is that carefully disciplined. We look at it, we see how much it is costing us, and we look at the result.

MIS Quarterly: One of the reasons I was anxiously awaiting an answer is that in two weeks, you and I are going to chair a session telling the President's Association how we do this type of thinking — yet neither of us knows the answer.

MR. SPENCER: I haven't the slightest idea.

MIS Quarterly: One of the reasons we need to be able to answer this question is that we are talking in terms of ten, twenty, forty, fifty million dollars of expenditure depending on the organization. How much is enough? Nobody knows.

MR. SPENCER: We try to do zero-based budgeting with the staff groups. We have a budget review. We say, "What was spent last year and what did you do?" The manager describes projects, efforts, and related activity. We say, "What kind of resources do you have against your effort?" We look at every one of those things and we look at the makeup of the groups doing them.

MIS Quarterly: Some companies have gone to the "Chart Room" or "War Room" concept. Do you see this as a trend and if not, how do you think this information is going to be assimilated in the future?

MR. SPENCER: I think most War Rooms are an ego trip. Executives like to take visitors in and show them the rooms. We have to have the information to the degree that we have a permanent record on a magnetic tape and we have a CRT. Perhaps this is better than making the seven copies needed. But all this business of drawing the line half an inch up and a quarter of an inch down and so on and so forth is nonsense. We have a tracking system and we get inventory control, inventory terms, and whatever information is needed on the amount of transactions done, new businesses, etc. If we have a report, we look at the efficiency and the cost of goods that are delivered. If this is the way a

CEO likes to get information, if this executive feels comfortable that it is all in one place, and it can be examined and demonstrated for all of the eminent visitors to show what great control is maintained over the business, then I think that's fine. I also think it is a lot of nonsense.

MIS Quarterly: As you look to the 1980's, what would you consider the number one, two, or three key problems facing industry in general?'

MR. SPENCER: Regulation.

MIS Quarterly: You know, you took about a thousandth of second longer than all the other interviewees to say the same thing - government regulation. But are there any other problems that you can think of that are facing industry and to what extent, if any, do you think information services can be of assistance?

MR. SPENCER: I don't know if I can answer that question. To the degree that coming events cast their shadows before and I have an ability to know my business and be able to direct it against these events, that's about all the value that I would see. Information isn't a substitute for thought.

MIS Quarterly: Assume you were addressing an organization such as SMIS, and you were giving a keynote speech which relates to things that you think MIS executives should know, how would you advise them?

MR. SPENCER: Know your business and the things that make it up in terms of possible profit, real profit, and the skills that are needed by the people who must deliver it.